

BILL ANALYSIS

C.S.H.B. 3208
By: Thompson, Ed
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Texans within the Texas Windstorm Insurance Association (TWIA) service area consistently face high insurance rates and have expressed interest in finding ways to reduce those rates. TWIA's board of directors wants to lower rates for Texans as well, and amending their earned premium policy is something that they suggested as a viable option. When TWIA customers cancel their annual policy early, it creates an administrative burden and prevents TWIA from maximizing funds for the catastrophe reserve trust fund. C.S.H.B. 3208 seeks to address the issue of TWIA losing vital operating revenue due to early policy cancellations by providing conditions an insured who requests cancellation of insurance coverage must prove for TWIA to refund the unearned premium to the insured.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3208 amends the Insurance Code to condition the requirement for the Texas Windstorm Insurance Association (TWIA) to refund the unearned premium to an insured who requests cancellation of insurance coverage on the reason for the cancellation being one of the following:

- the purchase of similar coverage in the voluntary market;
- sale of the insured property to an unrelated party;
- total loss of the insured property; or
- a determination by TWIA that the insured property is no longer insurable under TWIA's rules and procedures.

The bill removes from the refund requirement the specification that the refund is less any minimum retained premium set forth in the TWIA plan of operation and is payable to the insured and the holder of an unpaid balance.

C.S.H.B. 3208 requires an insured to provide proof of an applicable cancellation reason in the form and manner prescribed by TWIA to be eligible for a refund and establishes that the insured's premium is considered earned and is not refundable if the insured fails to provide that proof or requests cancellation for a reason other than a reason under the bill's provisions.

C.S.H.B. 3208 changes from not less than 90 days to not less than the full annual policy term the required period for a minimum retained premium in the TWIA plan of operation for

cancellation of insurance coverage to be the full annual policy term, except under certain conditions.

C.S.H.B. 3208 applies only to a Texas windstorm and hail insurance policy that is delivered, issued for delivery, or renewed by TWIA on or after the bill's effective date.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3208 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a provision that was not in the introduced changing the required period for a minimum retained premium in the TWIA plan of operation for a cancellation of insurance coverage.